

Public Sector Budgeting: Automating the Financial Monitoring Process

Candice M. Kinn

BearingPoint Management & Technology Consultants

Abstract

Public sector organizations are often required to closely monitor finances due to funding requirements. In this session, you will learn how the Oracle Public Sector Budgeting (PSB) Module can be used to automate the monitoring of current financial activities on a periodic basis and how this can help manage your organization's finances as well as meet specific business needs.

Introduction

Public Sector Budgeting is the Oracle module used by organizations to develop, manage, and maintain the organization's position and non-position budget through the utilization of General Ledger (GL) activities, Human Resources (HR) Position data, and workflow functions. PSB is the centralized system where position and non-position data is gathered and manipulated in order to develop future year budgets. PSB enables an organization to automate departmental and/or divisional budgeting through workflow. PSB automates budget revisions or updates to the fiscal year budget after it has been implemented and upon approval pushes those updates to GL and/or HR.

A benefit of PSB is that it is a centralized system where non-position data is gathered from GL and position data is gathered from HR in order to develop budgets. It is also a stand-alone system in that there are no impacts to the GL or HR until the budget is finalized and processes are run to push the budget to those modules. PSB utilizes parameter functionality to mass update position and non-position data during the budget development process. It allows for the isolation of budget information at different stages during the development process, and it automates workflow routing for: position and non-position data during the development year; and budget Revisions during the fiscal year.

Overview of Financial Monitoring

Financial Monitoring is often required by organizations to report financial conditions. It is a means to track the expenditures out of the General Ledger system against the budget and verify that the expenses are not exceeding the budget. Financial Monitoring can also be used as a means to make monthly, bi-monthly, or quarterly projections based on actuals and encumbrances that are extracted from the GL. Monitoring expenditures helps an organization ensure the outcome for future year budgets as well as identify deficits and surpluses. Reporting needs can be met through Discoverer where custom views can be created in order to further gather data as needed from the PSB views. Some reporting examples may include: previous month projections; actuals, encumbrances, and estimated projections as of the end of the month or period being monitored; and summary of projections by department, division, or specific funding source, which shows the current budget, actuals, encumbrances, and projections for the periods.

Required Implementation Decisions

Due to the integration of Oracle's modules there are several factors that must be considered during the implementation of the Financial Monitoring process. Some questions that should be considered during implementation include:

- Will you be using Oracle HR?
- Are you going to base your budgets on Positions?
- Will you be using Oracle GL?
- Will you be automating the process and having departmental or divisional users monitor the finances at the user level?
- Do you require users to project expenses? And if so, on a monthly, bi-monthly, or quarterly basis?
- Is there an approval process?
- Will you be monitoring finances on a monthly, bi-monthly, or quarterly basis?

Setups Involved During Implementation

During the Financial Monitoring process the following must be setup: Budget Year Types, Budget Calendar, GL Interfaces, GL Budget Sets, Budget Groups and Security. Furthermore, if the organization is going to implement Position Budgeting then the following additional items must be defined: Position Key Flexfield, Position Attributes, Data Extract, Elements, and Default Rules. During the Financial Monitoring process deficits and surpluses will be realized. The budget revision form can be used to modify the budget using the PSB system. In order to begin using the budget revision form the organization must setup Budget Revision Profile Options and define the workflow for routing and the approval process.

The budget calendar further defines the years for the worksheet. Budget year types make up the different years in the calendar and may consist of: Prior Year 2, Prior Year 1, Current Year, Proposed Year 1, Proposed Year 2, etc. Budget year types are used to validate the year sequence, create structure to the budget calendar, and to set the maximum number of years in the budget calendar. They also are used in defining the budget worksheet. For the purpose of monitoring the current year budget data, you will want to define a budget calendar where the current year is equal to the year that is being monitored or the current fiscal year. The budget calendar is also used to define period distributions by month, quarter, semi-annually, or annually. The GL Interfaces are used to extract data from and create journal entries to the General Ledger. The further definition of Summary Templates can be used to control data viewed in worksheets at the summary level. GL Budget Sets are utilized to extract budget data, current and historical, from the budgets setup in GL into the PSB worksheet. They are also used to post budgets back to the GL once they are complete. In order for the budget set to identify the account ranges for position and non-position data, account sets must be setup to map to the budgets defined in GL. There are two different types of account sets:

- Global Account Sets - referenced by multiple features in PSB
- Local Account Sets - defined in a specific function and are used by that particular function only; not shared by multiple features

Budget Groups are used to develop the approval hierarchy for workflow routing purposes and to define the areas of an organization and the mapping of account sets to those specific areas. Budget Groups also enable security so that only users with the responsibilities assigned to those areas are permitted to view the budget data. Multiple hierarchies can be created in PSB (i.e. separate hierarchies for budget revisions, budget development, and financial monitoring).

Defining the Financial Monitoring Worksheet

The Budget Group should be set at the level you want to forecast. For example, if the requirement is to create one mass worksheet the budget group should be the top-level organization in the hierarchy. Otherwise multiple worksheets can be defined for different areas of the organization. The budget calendar must have the current year budget type defined as the fiscal year you are monitoring (i.e. Current Year is FY2008). Years to Calculate can be set to 1 or left blank as this function is not used during the financial monitoring process since there is no budget being created. The parameter field is required; however, it can be set as a blank parameter that has no impact to the worksheet data. The GL Extract Cut-off is the last date you want the actuals and encumbrance data pulled in from the GL. For example, today is April 15 and the requirement is to pull in the budget, actuals, and encumbrances for period ending 3/31/08. This will generate by month all actuals, encumbrances, and budgets that have been posted as of 3/31/08. It will not include postings on or after 4/1/08. The Budget Set Name should be defined as the budget set that was setup to extract data for financial monitoring from GL. Additionally, the appropriate Encumbrance Balances should be selected in order to account for purchase orders and requisitions.

Budget Revision Processing and Profile Options

As stated previously, during the financial monitoring process changes to the budget may need to be made via budget revisions. The following standard setups must be put in place for budget revisions to be processed (Note: All are at the site level unless otherwise noted.):

- PSB: Auto Balance Budget Revision Journal
- PSB: GL Budget Set
- PSB: Budget Revision by Position
- PSB: HR Budget
- PSB: Require Budget Revision Justification

- PSB: Default Constraint Set for Budget Revisions (*at the responsibility/user levels)

Auto Balancing the Budget Revision Journal can be set to either “Yes” or “No”. Setting this profile to “Yes” will ensure that all unbalanced revisions are offset by equity accounts. This option is not definable by the revision requestor at the time of entering a budget revision. The GL Budget Set profile is a list of values based on the budget sets that are defined in the Budget Set form. This option is set to implement a default budget set for the entire site. However, multiple GL budgets can be updated with one budget set. Additionally, separate budget sets can be defined for worksheets and for budget revisions. The Budget Revision by Position profile is also set to either “Yes” or “No”. Setting the option to “Yes” does not permit the requestor to deselect the option to revise by position in order to enter position account changes in the line item entries tab. While, “No” will allow users to enter position accounts on the line item entries tab, enabling more flexibility. The HR Budget profile is a list of values based on the budget defined in HR’s Position Control module. This profile sets a default for the HRMS budget site-wide and is only required for organizations using Position Control. With this profile option, requestors can select a different budget when defining budget revisions. Require Budget Revision Justification profile option is defined as “Yes” or “No”. “Yes” will require entry into the justification field on the budget revision form while “No” will set the field as optional. Last, Default Constraint Set for Budget Revisions is a list of values that centralizes the list of constraints to impose on specific users and/or responsibilities when defining budget revisions.

Automating the Financial Monitoring Process

The workflow setup in PSB is a stand-alone system where routing does not depend on other workflow setups within Oracle. There are separate setups within PSB that define and control where the worksheets and budget revisions are routed. It does have the same features of the standard workflow in that vacation rules, email notifications, etc. can be setup. However, notifications follow the approval path set forth in the budget group hierarchy, and are used to distribute the worksheet to the budget users and route the worksheet notifications during the approval process. An added benefit is the flexibility to allow the setup of a unique responsibility that can be tied to a budget group on the responsibilities tab. The notifier is setup to identify who will receive notices when workflow is sent back in the workflow process. In most cases the notifier will be defined the same as the responsibility; however, the capability is there to have a different notifier or to add multiple notifiers.

Conclusion

Financial Monitoring is an important component of public sector organizations that are required to closely monitor their funding as part of the overall business process. The Financial Monitoring process can be used by an organization as a means to project and monitor GL activities through standard Oracle PSB worksheet functionality. By using the standard functionality set forth in Oracle PSB, actuals and encumbrances can be extracted from the GL and compared back to the current fiscal year budget. Furthermore, projections can be made using the estimate field in the PSB worksheet. This process can be pushed out to departments at the user level and via workflow routing can be submitted through an approval process and sent back to the budget department where final analysis and report generation can be completed. By closely monitoring an organization’s finances, deficits and surpluses can be realized and corrected using the standard budget revision form within PSB to push updates to the budgets in GL and/or HR. The following documents available on Oracle’s Metalink Website will be of great assistance during the implementation of PSB and the Financial Monitoring Process: Oracle HRMS Position Control and Budgeting Supplement (27th February 2004), Oracle Public Sector Budgeting User’s Guide (August 2004), and Sample Oracle HRMS Setups – Conform with Oracle PSB requirements Oracle Public Sector Budgeting (Note id: 240307.1).